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CHINA FOODS LIMITED
中國食品有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 506)

DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF EQUITY INTERESTS AND ASSIGNMENT OF DEBT

The Board is pleased to announce that on December 31, 2015, the Company entered into an equity transfer and debt assignment agreement with Tops Properties. Pursuant to the Agreement, the Company will transfer its Equity Interests and Shareholder's Loan, each relating to the Target, to Tops Properties for a total consideration of RMB611,000,000, subject to potential adjustments as disclosed below.

COFCO is the ultimate controlling shareholder of the Company as defined under the Listing Rules and thus a connected person of the Company. Tops Properties is a wholly-owned subsidiary of COFCO Property, which is 45.67% owned by COFCO. Tops Properties is therefore a connected person of the Company. The Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Transaction are more than 5% but all of such applicable percentage ratios are less than 25% and the total consideration is more than HKD10,000,000, the Transaction is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Transaction also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Company will convene a SGM for the independent shareholders to consider and, if thought fit, approve the Agreement and the Transaction. The voting at the SGM will be taken by poll. COFCO and its associates will abstain from voting at the SGM regarding the Agreement and the Transaction.

An Independent Board Committee has been formed to advise and provide recommendation to the independent shareholders on the Agreement and the

Transaction.

A circular containing, among other things, (1) further details of the Agreement and the Transaction, (2) the recommendation of the Independent Board Committee, (3) a letter of advice from the IFA to the Independent Board Committee and the independent shareholders of the Company and (4) a notice convening the SGM, is expected to be dispatched to the shareholders on or before January 29, 2016, which is more than 15 business days from the date of publication of this announcement, as time is required in preparing the information to be contained in the circular.

After Closing, the Target Group will become a connected person to the Company, and any transactions between the Target Group and the Group will be connected transactions under the Listing Rules.

The Board is pleased to announce that on December 31, 2015, the Company entered into an equity transfer and debt assignment agreement with Tops Properties. Pursuant to the Agreement, the Company will transfer its Equity Interests and Shareholder's Loan, each relating to the Target, to Tops Properties for a total consideration of RMB611,000,000, subject to potential adjustments as disclosed below. Upon completion of the Transaction, the Target will cease to be a subsidiary of the Company and become a subsidiary of Tops Properties.

Under the Company's previous business arrangement, the production of chocolate and other confectionery products was mainly handled by the Target Group through Le Conté Food, and the sales and distribution function was mainly performed by COFCO Foods Sales & Distribution. The production, sales and distribution of the Company's chocolate and other confectionery products are collectively referred to as the "**Confectionery Business**". Since December 1, 2015, the Company has been transferring its sales and distribution function of the Confectionery Business from COFCO Foods Sales & Distribution to the Target Group (to Le Conté Food).

THE AGREEMENT

The principal terms of the Agreement are summarized as follows:

Date

December 31, 2015

Parties

Transferor: the Company

Transferee: Tops Properties

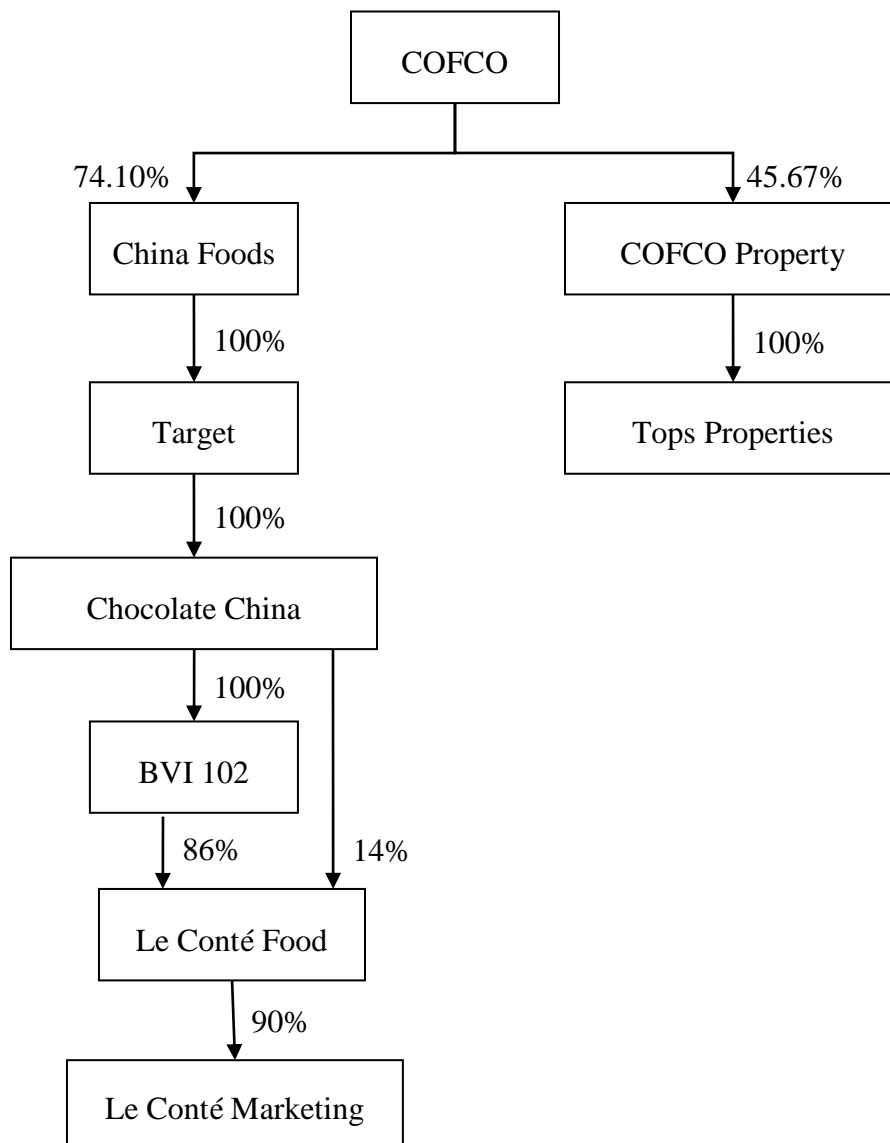
Subject Matter

The Company will transfer its Equity Interests and Shareholder's Loan, each relating to the Target, to Tops Properties. Upon completion of the Transaction, the Target will cease to be a subsidiary of the Company. Tops Properties will hold 100% of the Target,

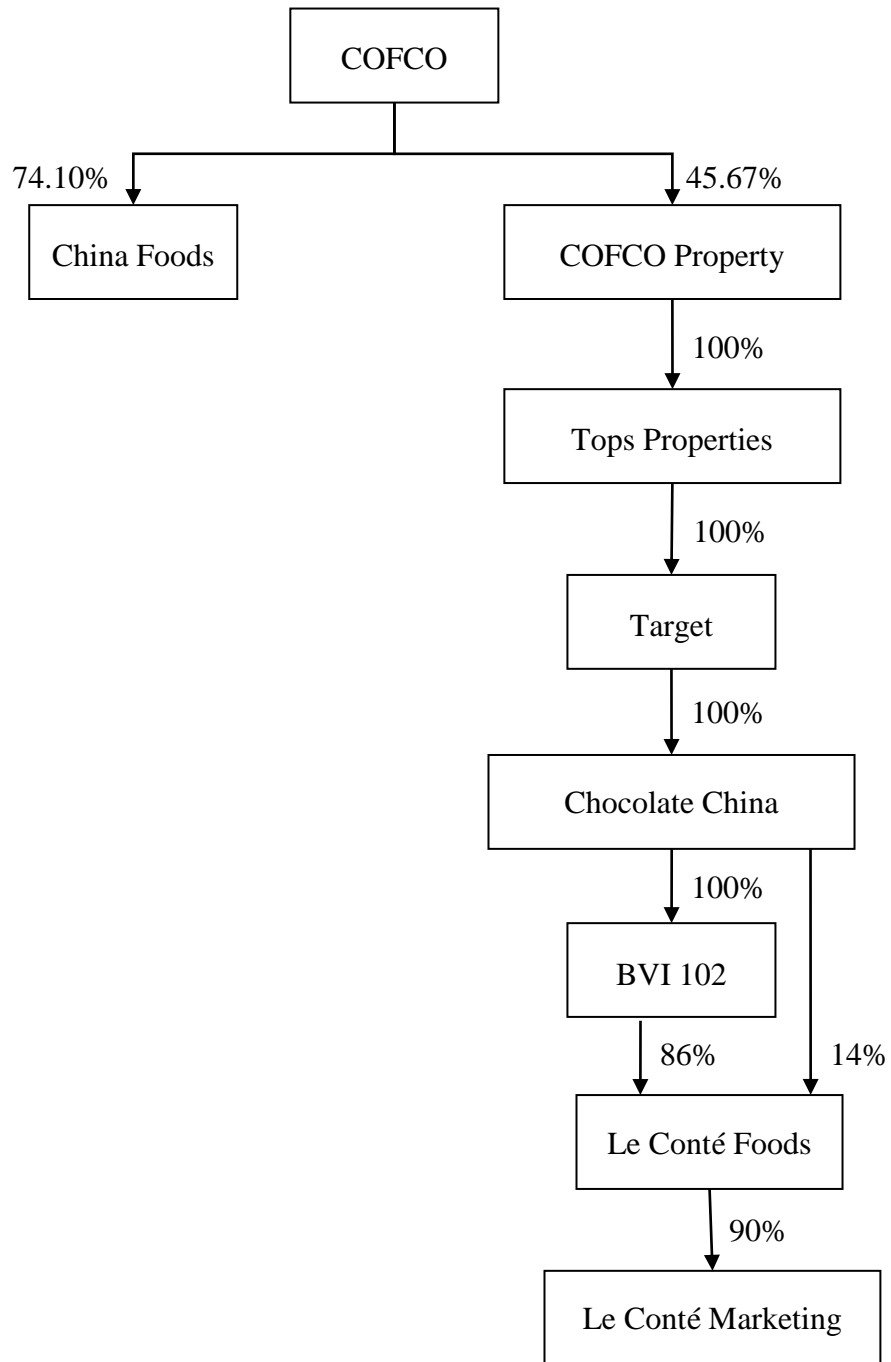
and will indirectly hold 100% of Chocolate China, BVI 102, Le Conté Food and 90% of Le Conté Marketing.

Set out below is a shareholding structure chart of the companies to be disposed of under the Agreement:

Before the Equity Transfer



After the Equity Transfer



Consideration

Pursuant to the Agreement, the total consideration for the transfer of the Company's Equity Interests and Shareholder's Loan, each relating to the Target, to Tops Properties is RMB611,000,000 (subject to potential adjustments), consisting of RMB393,772,163 for the Equity Interests and RMB217,227,837 for the Shareholder's Loan.

The above total consideration is subject to the following adjustments:

- (1) In the event that the Target Group incurs any loss in excess of RMB50,000,000 for the period from July 1, 2015 to the Closing date, the Company will be responsible for the portion of the loss in excess of RMB50,000,000. Details of any such potential loss is disclosed in the section entitled "INFORMATION OF THE TARGET GROUP" below.
- (2) Tops Properties will pay RMB20,000,000 to the Company within 15 business days after the completion of the equity transfer to cover compensations and other payments to be made to the sales and distribution staff servicing the Confectionery Business as a result of the Transaction. The Company will be responsible for any such payments in excess of RMB20,000,000, and will also be responsible for any compensations for dismissed senior management of the Target Group as a result of the Transaction.

The consideration was determined on an arm's length basis between the Company and Tops Properties with reference to (i) the historical and expected future performance of the Group's Confectionery Business; (ii) the financial information as set out under the section entitled "INFORMATION OF THE TARGET GROUP" below and (iii) the Target Group's appraised value as assessed by independent third-party valuers, including property and non-property interests. In determining the consideration, the Company has also taken into account the opportunity to realize the revaluation surpluses on the investment properties and capital gains of other property interests of the Target Group.

Payment

The consideration will be paid in two installments:

- (1) The first installment, an amount equal to RMB393,772,163, is expected to be paid by Tops Properties within 15 business days after the following conditions are met:
 - the Agreement has been approved by the Board and shareholders of the Company;
 - the Agreement has been approved by the board or shareholders of Tops Properties and by shareholders of COFCO Property;

- Tops Properties has obtained approvals for the Transaction from the relevant authorities within 45 business days after the signing of the Agreement; and
- the Company has received approval for the Transaction from COFCO pursuant to the relevant regulations over the transfer of state-owned assets.

If the payment is made in HKD, the exchange rate to be used for the first installment will be Bank of China's HKD purchase rate on the actual payment date.

(2) The second installment, an amount equal to RMB217,227,837, is expected to be paid by Tops Properties within 15 business days after the following conditions are met:

- registration for the Target's share transfer has been completed; and
- the Company and the Target have completed their respective Closing tasks pursuant to the Agreement.

If the payment is made in HKD, the exchange rate to be used for the second installment will be Bank of China's HKD purchase rate on the actual payment date.

For any delays in payment, or if Tops Properties has not obtained relevant approvals for the Transaction from the relevant authorities within 45 business days after the signing of the Agreement, interest at a per diem rate of 0.1% will accrue on the outstanding portion of the payment.

Closing

The Company must, within 15 business days after signing of the Agreement, notify Tops Properties of all the documents it needs for the Transaction. The Company must also, within 15 business days after Tops Properties makes the first installment payment, complete the registration and other procedures for the Transaction, and transfer all the relevant documentations, including, among others, official seals, certificates of incorporation, business licenses, trademarks, patents and land use certificates of the Target, Chocolate China, BVI 102, Le Conté Food and Le Conté Marketing, and all the documents related to the Shareholder's Loan to Tops Properties. The date of transferring the official seals, business license and other relevant documentations mentioned above is referred to as the Closing date.

After the Closing, the Target Group will become a connected person to the Company, and any transactions between the Target Group and the Group will be connected transactions under the Listing Rules.

Transitional Period

Between the date of signing the Agreement and the date of Closing, the Company undertakes, among others, to permit the Target Group to conduct the Target Group's day to day business operation as usual (consistent with its past practice), and to prohibit the Target Group to undertake any actions outside the scope of the Target Group's normal course of business that are harmful to the Target Group, to place any pledges or liens on the Target Group's properties, to merge with any other entities without the prior consents of Tops Properties, or to provide any guarantees for the Target Group's shareholders or any third parties. Tops Properties will send a management team to Le Conté Food to oversee and participate in the daily management of Le Conté Food's daily business.

Supplemental Issues

The Company shall ensure that all of the Target Group's non-operating accounts and other receivables due from its connected persons are collected by the date of transferring the Equity Interests.

For any administrative costs and tax matters not otherwise agreed to in the Agreement, each party will be responsible for 50% of the related expense.

Termination

The Agreement can be terminated with the written consents of both parties. If the Agreement is terminated, the Company must return any consideration it has already received to Tops Properties within 15 business days of the termination date.

Effective Date of the Agreement

The Agreement will become effective when:

- (1) the Agreement has been approved by the Board and shareholders of the Company;
- (2) the Agreement has been approved by the board or shareholders of Tops Properties and shareholders of COFCO Property; and
- (3) the Agreement has been approved by COFCO pursuant to the relevant regulations over the transfer of state-owned assets and has been submitted for registration of state-owned asset valuation.

INFORMATION OF THE TARGET GROUP

The Target is an investment holding company incorporated in the British Virgin Islands. The Target's primary asset is the equity interests in its subsidiary Le Conté Food. Le Conté Food is the sole production arm for the Company's Confectionery Business.

Set out below is the unaudited consolidated financial information of the Target prepared in accordance with the HK GAAP.

	For the year ended December 31, 2013	For the year ended December 31, 2014	For the six months ended June 30, 2015
	(approximately HKD thousand)	(approximately HKD thousand)	(approximately HKD thousand)
Revenue	352,719	365,079	144,650
Profit (loss) before taxation attributable to the equity holder of the Target	52,939	45,234	(39,618)
Profit (loss) after taxation attributable to the equity holder of the Target	52,270	45,462	(39,792)

Note: The above unaudited profit before taxation and profit after taxation attributable to the equity holder of the Target for the years of 2013 and 2014 were manufacturing profits only from the production and did not take into account of certain sales and distribution expenses booked in the account of COFCO Foods Sales & Distribution.

The unaudited net asset value attributable to the equity holder of the Target as at June 30, 2015 was approximately HKD45,932,000.

As disclosed above, the Company historically had run its sales and distribution of the chocolate and other confectionery products outside of the Target Group and within COFCO Foods Sales & Distribution, and such business has had incurred losses.

Details of the consolidated financial information of the Group's Confectionery Business, prepared in accordance with the HK GAAP, including both the Target Group and the sales and distribution function undertaken by COFCO Foods & Distribution, are set out in the "OPERATING SEGMENT INFORMATION" section in the notes to the consolidated financial statements in the annual reports and interim reports of the Company.

FINANCIAL IMPACT OF THE TRANSACTION ON THE COMPANY

For an illustration purpose, the expected unaudited gain to be derived from the Transaction would amount to approximately HKD426,595,000, representing the difference between the amount of the consideration and the aggregate amount of (a) the assignment of the Shareholder's Loan of RMB217,227,837 and (b) the unaudited net asset value attributable to the equity holder of the Target as at June 30, 2015, computed using RMB1 equals to HKD1.2.

The expected unaudited gain to be derived from the Transaction excludes relevant transaction costs, taxes from the disposal and the potential adjustments as set out in the Agreement and disclosed under the paragraph “Consideration”.

The actual gain or loss as a result of the disposal to be recorded by the Group, which is affected by the transfer of the sales and distribution function of the Group’s Confectionery Business to the Target Group, is subject to audit and will be reassessed after Closing.

The Company intends to use the proceeds from the disposal for repayment of certain bank borrowings when they fall due and for general working capital of the Group.

REASONS FOR THE DISPOSAL AND BENEFIT TO THE COMPANY

The Company has been reviewing its business strategy of the Group in order to improve its business operations and maximize return to its shareholders.

Due to the intense market competition of the chocolate industry in mainland China and the lack of economic of scale of the Group’s Confectionery Business, the management expects that the loss-making Confectionery Business may not be able to turn around in the near future.

The Group will continue to complete its transfer of the sales and distribution function of the Confectionery Business from COFCO Foods Sales & Distribution to the Target Group.

Upon Closing, the Target will cease to be a subsidiary of the Company and the financial results of the Target will no longer be consolidated into the Group’s financial statements after Closing.

OPINION OF THE BOARD

The Directors (other than the independent non-executive Directors, whose views and opinions will be included in the circular to be dispatched to the shareholders of the Company) consider that the basis for determining the consideration of the Transaction is fair and reasonable, the terms of the Agreement are on normal commercial terms and are in the interests of the Company and the shareholders as a whole. To the best of their knowledge and belief, the Company’s executive directors accept full responsibilities for the accuracy and completeness of the material information contained in this announcement.

Directors associated with COFCO and its subsidiaries and other associates, namely Mr. Ma Jianping, Mr. Ning Gaoning, Mr. Yu Xubo, Ms. Liu Ding, and Mr. Wang Zhiying, as the connected Directors, have abstained from voting regarding the Agreement and the Transaction. Except as disclosed above, none of the Directors has any material interests in the Agreement and the Transaction and hence no other Director has abstained from voting on such Board resolutions.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. Through its subsidiaries and associated companies, it is principally engaged in wine, beverage, consumer-pack edible oil and other consumer food products and confectionery businesses.

Tops Properties

Tops Properties is a wholly-owned subsidiary of COFCO Property and is primarily engaged in the business of general trading and investment.

LISTING RULES IMPLICATION

COFCO is the ultimate controlling shareholder of the Company as defined under the Listing Rules and thus a connected person of the Company. Tops Properties is a wholly-owned subsidiary of COFCO Property, which is 45.67% owned by COFCO. Tops Properties is therefore a connected person of the Company. The Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Transaction are more than 5% but all of such applicable percentage ratios are less than 25% and the total consideration is more than HKD10,000,000, the Transaction is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Transaction also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Company will convene a SGM for the independent shareholders to consider and, if thought fit, approve the Agreement and the Transaction. The voting at the SGM will be taken by poll. COFCO and its associates will abstain from voting at the SGM regarding the Agreement and the Transaction.

THE INDEPENDENT BOARD COMMITTEE AND THE CIRCULAR

An Independent Board Committee has been formed to advise and provide recommendation to the independent shareholders on the Agreement and the Transaction.

Centurion Corporate Finance Limited has been appointed as the IFA to advise the Independent Board Committee and the independent shareholders on the Agreement and the Transaction.

A circular containing, among other things, (1) further details of the Agreement and the Transaction, (2) the recommendation of the Independent Board Committee, (3) a letter of advice from the IFA to the Independent Board Committee and the independent shareholders of the Company and (4) a notice convening the SGM, is expected to be dispatched to the shareholders on or before January 29, 2016, which is more than 15

business days from the date of publication of this announcement, as time is required in preparing the information to be contained in the circular.

DEFINITIONS

“Agreement”	the equity transfer and debt assignment agreement entered into between the Company and Tops Properties on December 31, 2015
“Board”	the board of directors of the Company
“BVI 102”	COFCO (BVI) No. 102 Limited, a wholly-owned subsidiary of Chocolate China incorporated in the British Virgin Islands
“Chocolate China”	Chocolate Products (China) Limited (巧克力產品(中國)有限公司), a wholly-owned subsidiary of the Target incorporated in Hong Kong
“Closing”	has the meaning ascribed to it under the paragraph entitled “Closing”
“COFCO”	COFCO Corporation (中糧集團有限公司), a wholly state-owned company established in the PRC currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會) and the ultimate controlling shareholder of the Company
“COFCO Foods Sales & Distribution”	COFCO Foods Sales & Distribution Co., Ltd. (中糧食品營銷有限公司), a limited liability company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“COFCO Property”	COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司), a Shenzhen-listed company incorporated in the PRC and is owned 45.67% by COFCO
“Company”	China Foods Limited (中國食品有限公司), a limited liability company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange
“Confectionery Business”	the Group’s confectionery business segment, which comprises (i) the Target Group, responsible for the production of the Group’s chocolate and other confectionery products, and (ii) the confectionery sales and distribution business undertaken by COFCO Foods Sales & Distribution

“Director(s)”	the director(s) of the Company
“Equity Interests”	the Company’s 100% equity interests in the Target
“Group”	the Company and its subsidiaries
“HK”	the Hong Kong Special Administrative Region of the PRC
“HKD”	Hong Kong Dollar, the lawfully currency of Hong Kong
“HK GAAP”	generally accepted accounting principle of Hong Kong
“IFA”	the independent financial adviser appointed by the Company to advise the Independent Board Committee and the independent shareholders with regard to the Agreement and the Transaction
“Independent Board Committee”	the independent committee of the Board established for the purpose of reviewing the Agreement and the Transaction
“independent shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Le Conté Food”	COFCO Le Conte Food (Shenzhen) Co., Ltd. (中糧金帝食品（深圳）有限公司), a limited liability company incorporated in the PRC and is owned 86% by Chocolate China and 14% by BVI 102
“Le Conté Marketing”	深圳市金帝營銷有限公司, a limited liability company incorporated in the PRC and 90% owned by Le Conté Food
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting to be held by the Company to consider, and if thought fit, to approve the Agreement and the Transaction
“Shareholder’s Loan”	all the Company’s shareholder’s loans lent to the Target Group

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Prized Developments Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands
“Target Group”	the Target and its subsidiaries
“Tops Properties”	Tops Properties Limited (華高置業有限公司), a wholly-owned subsidiary of COFCO Property incorporated in HK
“Transaction”	the Company’s transfer of its Equity Interests and Shareholder’s Loan to Tops Properties pursuant to the Agreement

By Order of the Board
China Foods Limited
Jiang Guojin
Managing Director

Beijing, December 31, 2015

As at the date of this announcement, the Board comprises: Mr. Ma Jianping as the chairman of the Board and a non-executive director; Mr. Jiang Guojin and Ms. Wu Wenting as executive directors; Mr. Ning Gaoning, Mr. Yu Xubo, Ms. Liu Ding and Mr. Wang Zhiying as non-executive directors; and Messrs. Stephen Edward Clark, Paul Kenneth Etchells, Li Hung Kwan, Alfred and Yuen Tin Fan, Francis as independent non-executive directors.